



June 8, 2017

HBC Announces Transformation Plan for North American Operations to Deliver Best-in-Class All-Channel Customer Experience

- | Expected to Generate More than \$350 Million in Annual Savings when Fully Implemented
- | Transformation Focuses on Streamlining Operations, Increasing Efficiencies and Leveraging Scale
- | Dedicated Leadership Teams Formed to Focus on Hudson's Bay in Canada and Lord & Taylor in the U.S.
- | Plan Includes a Reduction of Approximately 2,000 Positions in North America to Create a Flatter, More Nimble Organization

TORONTO & NEW YORK--(BUSINESS WIRE)-- HBC (or the "Company") today announced its Transformation Plan, which is designed to make the Company more agile to get ahead of the changing retail landscape, transform its cost base and deliver a best-in-class all-channel model that seamlessly integrates the in-store and online customer experience. The transformation initiative is the result of a six-month operational review focused on identifying efficiencies, streamlining processes and improving back-of-store productivity in North America.

Through streamlining operations, increasing efficiencies and leveraging scale, the Company currently anticipates realizing more than \$350 million in annual savings when the plan is fully implemented by the end of Fiscal 2018, including the anticipated \$75 million in savings previously announced in February. Approximately \$170 million in savings is anticipated to be realized during Fiscal 2017. Of this \$170 million, the actions necessary to secure \$125 million in savings are complete as of today. These savings are required to help offset revenue, margin and cost pressures the Company is facing as a result of the current environment. In addition to the severance charges incurred as part of the Company's actions in February, HBC expects one-time charges related to this initiative of approximately \$95 million over the next 12 months.

The HBC Transformation Plan is designed to increase operational synergies, sharpen capabilities and reduce expenses, including:

- | Creating two distinct leadership teams, one focused on Hudson's Bay and one dedicated to Lord & Taylor, to drive market-specific strategies. The Hudson's Bay leadership team will focus on accelerating plans to build upon its successful transformation in Canada, while the Lord & Taylor leadership team will focus on increasing the pace of change at that U.S. banner, with an emphasis on driving digital opportunities while operating its stores more efficiently.
- | Integrating digital functions throughout the organization to develop and maximize the impact of all-channel solutions for marketing, operations and technology in order to deliver the most seamless in-store and online experience for HBC's customers.
- | Realigning resources including IT and Digital, Store Operations & Visual Merchandising, Buying & Planning and Marketing to increase efficiencies and leverage scale, with world-class centers of excellence that support banners while preserving differentiation among the businesses.
- | Optimizing in-store service and enhancing sales training for store associates to better serve HBC's customers.
- | Reducing our employee base by approximately 2,000 positions, including those previously announced in February, which will flatten the organization by removing layers to make HBC more nimble and streamline the decision making process.
- | Fully leveraging the size and scale of the Company to optimize procurement and generate additional savings.

Richard Baker, Governor and Executive Chairman, HBC, commented: "We are reallocating resources to accelerate the opportunity we see online, as we run our brick and mortar operations more efficiently. Our team is taking the right steps to optimize our North American business and create efficiencies by leveraging the scale of our company. At this critical moment of change in the retail industry, I believe in the future of our all-channel model and we are adapting to meet the evolving needs of our customers."

Jerry Storch, Chief Executive Officer, HBC, said: "Through bold, decisive actions we are creating a more agile organization that will align our cost base with the all-channel environment that we are operating in. Our Transformation Plan, the result of our six-month operational review in North America, is designed to realign the Company and position HBC as the retailer of the future. We are equipping our North American banners to make the right all-channel decisions, with the support of world-class centers of excellence. These changes will enable us to react faster to the ever-changing environment and evolving customer preferences to get ahead of industry developments. I appreciate the diligent work of our team to transform our organization as we move forward."

Actions announced today within HBC's North American business include:

Department Store Group

Within HBC's Department Store Group (DSG), separate leadership teams have been established to run each banner independently. With a dedicated team in Canada focused on Hudson's Bay and Home Outfitters, and a dedicated team focused on Lord & Taylor in the United States, HBC expects each banner to be better positioned to react faster to their respective market conditions.

Alison Coville has been named President of Hudson's Bay and will have end-to-end responsibility for the Canadian banners. Ms. Coville and the Hudson's Bay focused leadership team will leverage HBC's realigned world-class support functions to drive performance in Canada, which has consistently been one of the Company's strongest markets. Ms. Coville was most recently SVP and General Merchandise Manager for DSG.

With this shift, **Liz Rodbell** continues in her role as President of Lord & Taylor, and will now be fully focused on leading that U.S. banner, together with a dedicated leadership team. The new streamlined organization, coupled with changes at the store operations level, will allow Lord & Taylor to accelerate all-channel strategies designed to drive the banner's digital opportunities while operating its stores more efficiently.

Digital

The Company is fully integrating HBC Digital throughout the business so that strategic decisions are made holistically around a seamless in-store and online shopping experience, further supporting HBC's all-channel retail model of the future.

As a result, Digital Technology joins the Company's broader IT organization to form the HBC Technology group, integrating store technology with online platforms into one Center of Excellence to better meet customer needs today and in the future. Additionally, the plan will eliminate overlap in responsibilities and allow for greater leverage with suppliers.

In addition, Digital Marketing is now part of the Company's Marketing Center of Excellence, which will partner with the banners to develop all-channel marketing strategies to support each banner's distinct voice and message and reach consumers across all touchpoints.

Digital Operations is now part of the Company's Logistics and Supply Chain Center of Excellence, which is expected to increase efficiencies and leverage HBC's scale to generate cost savings.

Store Operations

HBC is currently in the process of realigning in-store sales coverage across its North American banners to better serve its customers, including implementing additional training for its store-based associates in order to enhance customer interactions. Currently, these new programs have been successfully piloted in 10 stores, and HBC expects to roll out these changes to the rest of its store network in North America over the coming year. In addition, store operations across all of HBC's North American banners will be centralized so that best practices and processes are shared across all stores.

Merchandising

HBC's buying and planning teams have been restructured, reducing layers, harmonizing roles and expanding responsibility. This more flexible merchant organization enables agile decision making, clarity of responsibilities, efficient operations, and greater accountability across the organization. As part of this, the Company is developing distinct career paths to foster talent growth and movement throughout the organization.

Marketing

Marketing support functions at HBC, including Digital Marketing, have now been centralized to allow for cohesive all-channel

marketing development across all of HBC's banners. This Marketing Center of Excellence, operating like a world-class in-house agency, will support the execution of each banners' distinct marketing strategy with comprehensive media, creative and marketing support, and leverage best practices across the organization. This change enables banners to focus on strategy that will drive business, streamlines activities across marketing functions, and leverages the scale of combined resources. An interim head of the Marketing Center of Excellence has been appointed while HBC conducts a search for a Chief Marketing Officer to lead this newly-structured function.

Procurement

Over the next 12 months, the Company expects to identify opportunities to leverage the size and scale of its business to generate significant savings. This includes aligning purchasing contracts across banners, decreasing the number of vendors, and consolidating the Company's purchases in areas like media, services and supply chain.

Other Key Leadership Changes

Janis Leigh has been promoted to Chief Human Resources Officer. Previously, she was SVP, Human Resources. She has held HR leadership roles of increasing responsibility over the last 20 years with HBC. All HR functions will report to Ms. Leigh.

Janet Schalk, Chief Technology Officer, will lead the newly created HBC Technology group.

Ian Putnam, Chief Corporate Development Officer, has taken on the added responsibilities of Chief Operating Officer for HBC's Joint Ventures: HBS Global Properties and the RioCan-HBC Joint Venture and he will lead the HBC Real Estate Team.

Kerry Mader, EVP, Store Planning & Operations, has taken on additional responsibility for store operations across North America and for Visual Merchandising.

Andrew Blecher has been named Chief Communications Officer and assumes additional responsibility for the HBC Foundations in the U.S. & Canada.

Erik Caldwell assumes additional responsibility for Digital Operations and Procurement, and has been named SVP, Supply Chain & Digital Operations.

As previously announced, a search for a Chief Financial Officer is underway.

The [attached](#) infographic outlines the Company's streamlined operations structure.

About HBC

HBC is a diversified global retailer focused on driving the performance of high quality stores and their all-channel offerings, growing through acquisitions, and unlocking the value of real estate holdings. Founded in 1670, HBC is the oldest company in North America. HBC's portfolio today includes formats ranging from luxury to premium department stores to off price fashion shopping destinations, with more than 480 stores and over 66,000 employees around the world.

HBC's leading banners across North America and Europe include Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Gilt, Saks OFF 5TH, Galeria Kaufhof, the largest department store group in Germany, and Belgium's only department store group Galeria INNO.

HBC has significant investments in real estate joint ventures. It has partnered with Simon Property Group Inc. in the HBS Global Properties Joint Venture, which owns properties in the United States and Germany. In Canada, it has partnered with RioCan Real Estate Investment Trust in the RioCan-HBC Joint Venture.

Forward-Looking Statements

Certain statements made in this news release, including, but not limited to, the anticipated benefits and annualized savings from HBC's Transformation Plan and potential additional productivity enhancements, the Transformation Plan's ability to increase synergies, sharpen capabilities and reduce expenses, the ability to execute key components of the Transformation Plan, including creating dedicated leadership teams for each of Hudson's Bay and Lord & Taylor, integrating digital functions throughout the organization, realigning Company resources to increase efficiencies and leverage scale, optimizing in-store service and enhanced training to store associates, reducing headcount by approximately 2,000 positions, fully leveraging the size and scale of the Company to optimize procurement and other statements that are not historical facts, are

forward-looking. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Despite our plans and objectives, we may not be able to successfully achieve our anticipated savings from the Transformation Plan or fully realize its underlying objectives, including those which seek to increase operational synergies, sharpen capabilities and reduce expenses. The Transformation Plan is based on current market conditions and reasonable assumptions, estimates, analyses, beliefs and opinions of our management, including, but not limited to certain macro-economic factors, such as currency rates, as well as labor, raw material and other input costs remaining at or near current levels, which our management believes to be relevant as of the date hereof, but are subject to inherent risks and uncertainties, which give rise to the possibility that our assumptions, estimates, analyses, beliefs and opinions may not be correct and that our expectations, goals and initiatives will not be achieved. The Transformation Plan may also be adversely impacted by a wide range of factors, many of which are beyond our control. Such factors include those relating to foreign exchange rates, labor issues or wage increases, liquidity, competition, cost of raw materials and commodities, unanticipated expenses, economic conditions (including inflationary risk), the performance of third parties (including suppliers), the implementation and integration of such initiatives into the Company's other activities and processes as well as the adoption and acceptance of these initiatives by our customers, suppliers, employees and personnel.

For more information on the risks, uncertainties and assumptions that could cause HBC's actual results to differ from current expectations, please refer to the "Risk Factors" section of HBC's Annual Information Form dated April 28, 2017, the "Risk Factors" section of HBC's MD&A dated June 8, 2017, as well as HBC's other public filings, available at www.sedar.com and at www.hbc.com.

The forward-looking statements contained in this news release describe HBC's expectations at the date of this news release and, accordingly, are subject to change after such date. Except as may be required by applicable Canadian securities laws, HBC does not undertake any obligation to update or revise any forward-looking statements contained in this news release, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.

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